

Yonkers Economic Development Corporation

Financial Statements

December 31, 2015 and 2014



Independent Auditors' Report

Board of Directors
Yonkers Economic Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Yonkers Economic Development Corporation ("Corporation"), which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2015 and 2014, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2016 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated March 17, 2016 on our consideration of the Corporation's compliance with Section 2925(3)(f) of the New York State Public Authorities Law ("Law"). The purpose of that report is to describe the scope and results of our tests of compliance with the Law.

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP
Harrison, New York
March 17, 2016

Yonkers Economic Development Corporation

Management's Discussion and Analysis December 31, 2015

The following Management's Discussion and Analysis ("MD&A") of Yonkers Economic Development Corporation's ("Corporation") activities and financial performance is provided as an introduction and overview of the financial statements of the Corporation for the year ended December 31, 2015. Following this MD&A are the annual financial statements of the Corporation together with the notes to the financial statements which are important to understanding the data presented in the financial statements. This MD&A highlights certain supplementary information to assist with the understanding of the Corporation's financial operations.

Operations

The Corporation is a local development corporation and operates for the benefit of the City of Yonkers, New York ("City") and its populace to accomplish any or all of the purposes specified in the by-laws. Specific powers and duties are conferred to the Corporation with respect to bond issuances within the corporate limits of the City. All of the local zoning and planning regulations, as well as the regional and local comprehensive land use plans, are taken into consideration to carry out the duties of the Corporation.

Organized in a manner consistent with the Federal Section 115 status and New York State Public Authorities laws, the Mayor of the City is the sole member and appoints up to seven Board of Directors which is comprised of both public officials and business leaders. The current Board is comprised of four board members from the Yonkers Industrial Development Agency ("YIDA"). This Board governs the Corporation by establishing official policies and reviewing and approving requests for bond transactions. Operations and activities of the Corporation, its members, officers and employees are carried out in accordance with New York State law. In addition, the Corporation complies with the Public Authorities Accountability Act of New York, as set forth within Article 4-A of the New York Executive Law.

The Corporation's mission is to assist YIDA in economic development and job growth throughout the City by providing certain taxable and tax exempt financial assistance on occasions where these incentives are no longer provided by YIDA or in instances where YIDA's ability to assist economic development projects has been significantly limited. In addition, the debt issuances of the Corporation will not be liabilities of the State of New York, the City or YIDA.

No applications were submitted or processed during the year and no projects closed.

Yonkers Economic Development Corporation

Management's Discussion and Analysis December 31, 2015

Financial Operations Highlights

The detailed financial statements for the years ended December 31, 2015 and 2014 follow the MD&A. The chart below provides a condensed summary of revenues and expenses for the 2015 and 2014 calendar years.

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Management fees	\$ 70,000	\$ 70,000
Agency Fee (Leake & Watts)	-	211,730
Miscellaneous Fees	2,000	1,075
Non-Operating Revenues		
Interest	<u>178,143</u>	<u>231,854</u>
Total Operating and Non-Operating Revenues	<u>\$ 250,143</u>	<u>\$ 514,659</u>

Grants

Larkin Garage (2011) \$7,969,000

Revenue received from the City and State sources totaling \$7,969,000 was used along with proceeds of a loan to the Corporation in the amount of \$2,629,000 to induce additional funding in the form of New Market Tax Credits totaling \$3,822,000. These funds have been loaned to finance the Larkin Garage Project.

Warburton Wells \$2,919,054

Revenue received from New York State RESTORE NY, where the Corporation was a sub-recipient, totaling \$2,919,054 was used along with non-Corporation funding sources in the amount of \$4,930,000 to induce additional New Market Tax Credit funding of \$3,000,000. These funds were loaned to finance the Warburton Wells Project.

Operating Revenue

Agency Fees

The Corporation received no agency fees in 2015. In 2014, one project closed and the Corporation received \$211,730 in agency fees.

Yonkers Economic Development Corporation

Management's Discussion and Analysis
Years Ended December 31, 2012

Management Fees

The Corporation, in accordance with a management service agreement, provides administrative and management services for the YIDA. Based on this agreement, the corporation received a management fee from YIDA of \$70,000.

Assets, Liabilities and Net position

At year end, the Corporation had \$13,833,685 in assets, \$2,773,104 in liabilities, and an unrestricted net position of \$11,060,581. A complete breakdown of these amounts is provided in the financial statements.

Supplementary Information

The Schedule of Indebtedness - Industrial Revenue Bonds and Notes Issued, Outstanding or Retired is provided as supplementary information to the financial statements. This supplementary information is located following the notes to the financial statements.

Request for Information

The financial report is designed to provide a general overview of the Agency's finances. Questions and comments concerning any information provided in this report or requests for additional information should be addressed to the Executive Director, Yonkers Economic Development Corporation, 470 Nepperhan Avenue, Suite 200, Yonkers, New York 10701.

Yonkers Economic Development Corporation

Statements of Net Position

	December 31,	
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 248,854	\$ 291,495
Accounts receivable	6,608	-
Accrued interest receivable	58,422	97,537
Prepaid expenses	2,747	3,700
Notes receivable	13,517,054	13,517,054
	<u>\$ 13,833,685</u>	<u>\$ 13,909,786</u>
 LIABILITIES		
Accounts payable	\$ 22,557	\$ 24,654
Accrued interest payable	-	38,924
Accrued expenses	121,547	99,263
Loan payable	2,629,000	2,629,000
	<u>2,773,104</u>	<u>2,791,841</u>
 NET POSITION		
Unrestricted	<u>11,060,581</u>	<u>11,117,945</u>
	<u>\$ 13,833,685</u>	<u>\$ 13,909,786</u>

See notes to financial statements

Yonkers Economic Development Corporation

Statements of Activities

	Year Ended December 31,	
	2015	2014
OPERATING REVENUES		
Management fees	\$ 70,000	\$ 70,000
Agency fees	-	211,730
Miscellaneous fees	2,000	1,075
	72,000	282,805
 OPERATING EXPENSES		
Salaries	82,203	83,311
Payroll taxes and employee benefits	30,019	32,539
Professional fees	17,500	28,029
Community relations	300	2,950
Insurance	10,985	10,649
Miscellaneous	25,235	39,208
	166,242	196,686
 Total Operating Expenses		
	(94,242)	86,119
 NON-OPERATING REVENUES (EXPENSES)		
Interest income	178,143	231,854
Interest expense	(141,265)	(180,189)
	36,878	51,665
 Total Non-Operating Revenues		
	(57,364)	137,784
 NET POSITION		
Beginning of year	11,117,945	10,980,161
End of year	\$ 11,060,581	\$ 11,117,945

See notes to financial statements

Yonkers Economic Development Corporation

Statements of Cash Flows

	Year Ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from services rendered	\$ 65,392	\$ 282,805
Cash payments for salaries and benefits	(112,222)	(115,850)
Cash payments for goods and services	(32,880)	(46,173)
Net Cash from Operating Activities	(79,710)	120,782
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on debt	(180,189)	(180,189)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	217,258	217,259
Net Change in Cash and Cash Equivalents	(42,641)	157,852
CASH AND EQUIVALENTS		
Beginning of year	291,495	133,643
End of year	\$ 248,854	\$ 291,495
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income (loss) from operations	\$ (94,242)	\$ 86,119
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Changes in operating assets and liabilities		
Accounts receivable	(6,608)	-
Prepaid expenses	953	(234)
Accounts payable	(2,097)	(1,878)
Accrued expenses	22,284	36,775
Net Cash from Operating Activities	\$ (79,710)	\$ 120,782

See notes to financial statements

Yonkers Economic Development Corporation

Notes to Financial Statements
December 31, 2015 and 2014

1. **Organization and Purpose**

The Yonkers Economic Development Corporation ("Corporation") was created in 2007 as a local development corporation by the City of Yonkers, New York ("City") under the provisions of the IRS Section 115 for the purpose of assisting the Yonkers Industrial Development Agency ("YIDA") with promoting and supporting the development of commerce, bolstering employment and stimulating economic growth and prosperity in the City. The Corporation is governed by Article 18-A of the General Municipal Law of the State of New York. The Corporation is exempt from Federal, State and local income taxes. The Corporation, although supported by YIDA, is a separate entity and operates cooperatively with YIDA. The Mayor of the City is the sole member of the Corporation and appoints the governing board for specified terms.

2. **Summary of Significant Accounting Policies**

Financial Reporting Entity

The Corporation has been identified as an organization related to the City. In accordance with the criteria enumerated in Governmental Accounting Standards Board ("GASB") Statement No. 61, the Corporation is not considered a component unit of the City.

Basis of Accounting

The accounting policies of the Corporation conform to generally accepted accounting principles as applicable to governmental units. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Corporation reports its operations on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds deposited in time deposit accounts, demand deposit accounts and certificates of deposit with original maturities of less than three months. Collateral is required for these deposits at 100% of all deposits not covered by Federal deposit insurance. The Corporation has entered into a custodial agreement with its depository which holds its deposits. This agreement authorizes the obligations that may be pledged as collateral. Such obligations include among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Yonkers Economic Development Corporation

Notes to Financial Statements
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies *(continued)*

Cash and Cash Equivalents (continued)

Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Corporation's name. The Corporation's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2015 and 2014.

The Corporation was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. At December 31, 2015 and 2014, management has concluded that an allowance is not required.

Revenue Recognition

The Corporation charges an agency fee based on the amount of financing for each project at a predetermined rate. All such agency fees are collected and recognized as revenue at closing.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use. The net position of the Corporation on the statement of net position is classified as unrestricted.

Accounting for Uncertainty in Income Taxes

The Corporation recognizes the effect of income tax positions only if the positions are more likely than not to be sustained. Management has determined that the Corporation had no uncertain tax positions that would require financial statement recognition or disclosure. The Corporation is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2012.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 17, 2016.

Yonkers Economic Development Corporation

Notes to Financial Statements
December 31, 2015 and 2014

3. Loan Payable

The Corporation has a loan payable to a bank which bears interest at prime plus 2.0%, but in no event less than 6.5% for the period through June 2018 at which time the rate will be fixed at the greater of 6.5% or 2.5% in excess of the five-year Federal Home Loan Bank of New York Regular Fixed Advance Rate, per annum. The loan is secured by a ground lease on property located at 10 Woodworth Avenue, Yonkers, New York, a first lien mortgage on property located at Warburton Avenue, Yonkers, New York, a first lien assignment of the upper tier loan agreement and related qualified equity investment in Solomon Hess New Market Tax Credit ("NMTC") III, LLC and operating agreement of Solomon Hess NMTC III, LLC relating to the Larkin Garage (see note 5). Interest is due quarterly through its maturity in June 2023 at which time the entire principal amount is due. The principal balance outstanding at December 31, 2015 and 2014 was \$2,629,000. Interest expense was \$141,265 and \$180,189 for the years ended December 31, 2015 and 2014.

4. Industrial Revenue Bond and Note Transactions

Certain bonds and notes issued by the Corporation are secured by property which is leased to companies and are retired by lease payments. The bonds and notes are not obligations of the Corporation, the City or New York State. The Corporation does not record the assets or liabilities resulting from completed bond and note issues in its accounts, since its primary function is to arrange the financing between the borrowing companies and the bond and note holders and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. Trustees maintain the information for these bonds and notes and no default notices have been generated in the current year. For providing this service, the Corporation receives bond administration fees from the borrowing companies. The fee received by the Corporation is one percent of the bond amount. Such administrative fee income is recognized immediately upon issuance of bonds and notes.

5. Economic Development Projects

Larkin Garage

The Corporation received aggregate funding of \$7,969,000 from City, County and State grant sources then borrowed under a Financial Assistance Agreement with the Yonkers Community Development Agency ("YCDA") \$2,629,000 from Sterling National Bank (formerly known as Hudson Valley Bank) such that the Corporation could make a \$10,598,000 loan to Yonkers Capital Fund, LLC in a manner that qualified Yonkers Capital Fund, LLC for a NMTC investment of \$3,822,000 and transferred the obligation to build and operate a 300 space public access parking garage to private parties. Yonkers Capital Fund, LLC (referred to as the "Upper Tier Fund", or "Investment Fund" when describing the NMTC structure) used the proceeds of the \$10,598,000 loan and the \$3,822,000 NMTC investment to make a \$14,420,000 Qualified Equity Investment in Solomon Hess NMTC III, LLC and said entity thereafter made a "lower tier loan" to Yonkers Larkin Garage, Inc. (a private not for profit entity not controlled by the City) which will develop and cause a 300 space public access parking garage to be constructed and operated. After seven years, Solomon Hess NMTC III, LLC will liquidate and distribute its lower tier loan to Yonkers Capital Fund, LLC. Thereafter, Yonkers Capital Fund, LLC will offer the lower tier loans it receives as a liquidating payment to the Corporation in satisfaction of its \$10,598,000 loan from the Corporation.

Yonkers Economic Development Corporation

Notes to Financial Statements
December 31, 2015 and 2014

5. Economic Development Projects (*continued*)

Warburton Wells Historic

The Corporation used the proceeds from an Empire State Development Corporation ("ESDC") RESTORE Grant to make a "leverage" loan to Greenline Leverage Fund II, LLC ("Investment Fund") in the amount of \$2,919,054. These funds were received through the sub-recipient agreement with the City and the ESDC and were required to be deposited in escrow with New York Title. Greenline Leverage Fund II, LLC also received the following loans:

Leverage Lender 1, WWLL LLC	\$3,383,946
Leverage Lender 2, City of HOME	\$1,000,000

The investment Fund used the combined loans of \$7,303,000 to reimburse Citibank, NA for a 2011 loan to its affiliate from an initial equity contribution to recapitalize itself and to continue a Qualified Equity Investment in Greenline CDF Subfund-XIV LLC-QEII (sub CDE) that was originally made in 2011. This enabled an initial advance to the Warburton Wells Developer LLC ("QALICB") of \$5,972,851 with respect to the Notes A-C and \$900,000 with respect to Note D and \$2,627,149 with respect to Note E pursuant to a construction agreement between Sub CDE and the QALICB ("QLICB Loan Agreement").

The remaining \$108,095 balance with respect to Notes A-C, \$100,000 with respect to Note 4, and \$291,905 with respect to Note E remained in the Sub-CDE account until October 1, 2012 when it was transferred to the QALICB disbursement account. After a 7 year period, the Sub-CDE will liquidate and distribute its interests in the Notes A-E and related construction loan agreement to the Investment Fund and the Investment Fund will dissolve and offer the Notes A-E and the related construction loan agreement in satisfaction of its loans from the Corporation, Leveraged Lender 1 and Leveraged Lender 2 ("Upper Tier Leveraged Lenders"). The Upper Tier Lenders are parties to an inter-creditor agreement that establishes certain priorities of repayment with the Corporation holding a subordinate interest and right of payment from the Investment Fund payments during the 7 year period and when the Notes A-E and related construction loan agreement are received by the Upper Tier Lenders such that the pro forma shows certain circumstances under which the Corporation will receive repayment of the loan made to the Investment Fund but payment is on a subordinate basis to the claims of the other Upper Tier Lenders.

Yonkers Economic Development Corporation

Notes to Financial Statements
December 31, 2015 and 2014

5. Economic Development Projects *(continued)*

Cromwell Towers

A \$38,987,037 Multi-Family Housing Revenue Note (Cromwell Towers Apartments Limited Partnership Project), Series 2011 was issued pursuant to a bond resolution, adopted by the Board of the Corporation on October 26, 2011 and a resolution of the City Council dated December 2, 2011. The project involves an approximately 2.35 acre parcel of land located at 77 Locust Hill Avenue, Yonkers, New York; rehabilitation of the 100% affordable existing housing complex containing approximately forty-six (46) one-bedroom apartments, one hundred ninety-eight (198) two-bedroom apartments and seventy-three (73) three-bedroom apartments which, in accordance with the Internal Revenue Code of 1986, as amended, will be leased to households earning no more than 60% of the area median gross income. This supports the City's effort to revitalize problem areas removing barriers to successful industrial development.

Notes receivable at December 31, 2015 and 2014 is as follows:

Larkin Garage	\$ 10,598,000
Warburton Wells Historic	<u>2,919,054</u>
	<u>\$ 13,517,054</u>

6. Contractual Services

The Corporation, in accordance with a management services agreement, provides administrative and management services for YIDA. Based on this agreement, the Corporation received a management fee from YIDA of \$70,000 for each of the years ended December 31, 2015 and 2014.

7. Pension Plan

The New York State Comptroller has determined that employees of local development corporations (such as the Corporation) are not eligible for membership in the New York State and Local Employees' Retirement System ("ERS"). In response, the Corporation established a 401K plan in 2013 to cover the sole employee of the Corporation. The Corporation contributes to the 401K account the percent equal to the rate for Tier 6 employees in ERS as of December 31st of each year.

8. Risk Management

The Corporation purchases conventional insurance coverage for directors and officers liability. The current policy reflects a limit of \$1 million per occurrence or \$1 million for the period of the policy.

Yonkers Economic Development Corporation

Notes to Financial Statements
December 31, 2015 and 2014

9. Subsequent Event

In December 2015, the City of Yonkers Community Development Agency conveyed certain land to YIDA. At the same time, the land was sold for \$2,505,552. The conveyance had certain restrictions in that these funds be set aside to acquire the outstanding bank loan from Sterling National Bank (formerly known as Hudson Valley Bank) of \$2,629,000 related to the Larkin Garage (Note 3). In February 2016, YIDA purchased the outstanding bank loan of \$2,629,000 from Sterling National Bank. The \$2,629,000 funding was derived from proceeds from the sale of property of \$2,505,552 and the balance of \$123,448 was obtained from the Corporation operations.

Yonkers Economic Development Corporation

Supplementary Information

December 31, 2015

Yonkers Economic Development Corporation

Schedule of Indebtedness - Industrial Revenue Bonds and Notes Issued, Outstanding or Retired
December 31, 2015

Project	Date of Issue	Original Issue Value	Balance at January 1, 2015	New Issues	Payments	Balance at December 31, 2015
Riverview II	May 2010	\$ 27,350,000	\$ 23,715,000	\$ -	\$ 940,000	\$ 22,775,000
Charter School of Excellence (Series A)	Nov 2010	11,735,000	11,735,000	-	-	11,735,000
Charter School of Excellence (Series B)	Nov 2010	710,000	205,000	-	195,000	10,000
Leake & Watts (Series A)	June 2014	16,670,000	16,315,000	-	890,000	15,425,000
Leake & Watts (Series B)	June 2014	1,240,000	1,140,000	-	240,000	900,000
Leake & Watts (Series C)	June 2014	3,125,000	3,050,000	-	200,000	2,850,000
Leake & Watts (Series D)	June 2014	138,000	132,000	-	24,000	108,000
Total Indebtedness		\$ 60,968,000	\$ 56,292,000	\$ -	\$ 2,489,000	\$ 53,803,000



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards**

Independent Auditors' Report

**Board of Directors
Yonkers Economic Development Corporation**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Yonkers Economic Development Corporation ("Corporation") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's financial statements, and have issued our report thereon dated March 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

March 17, 2016



**Independent Accountants' Report on Compliance with Section 2925(3)(f)
of the New York State Public Authorities Law**

**Board of Directors
Yonkers Economic Development Corporation**

We have examined the Yonkers Economic Development Corporation's ("Corporation") compliance with Section 2925(3)(f) of the New York State Public Authorities Law during the year ended December 31, 2015. Management is responsible for the Corporation's compliance with those requirements. Our responsibility is to express an opinion on the Corporation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining on a test basis evidence supporting the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Corporation's compliance with specified requirements.

In our opinion, the Corporation complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2015.

This report is intended solely for the information and use of management, the Board of Directors, officials of the Corporation, and the Office of the State Comptroller of the State of New York. It is not intended to be and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

March 17, 2016